

HOUSE BILL REPORT

EHB 3360

As Passed House:
February 18, 2008

Title: An act relating to the time certificate of deposit investment program.

Brief Description: Increasing the availability of funds for the time certificate of deposit investment program.

Sponsors: By Representatives Hasegawa and Santos.

Brief History:

Committee Activity:

Finance: 2/12/08 [DP].

Floor Activity:

Passed House: 2/18/08, 94-1.

Brief Summary of Engrossed Bill

- Increases the amount of funds available for the Linked Deposit Program for minority- or women-owned businesses by \$50 million.
- Creates a new \$25 million Linked Deposit Program for veteran-owned businesses.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

The Linked Deposit Program (Program) was created in 1993. The stated purpose of the program is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The State Treasurer is authorized to use up to \$150 million of short-term state treasury surplus funds for the Program. These funds are deposited with public depositories as certificate of deposits (CDs) on the condition that the public depository make "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the certificate of deposit is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points, the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points.

Qualifying loans are loans:

- made to certain minority or women's business enterprises;
- for a period not to exceed 10 years;
- for up to a maximum amount of \$1 million for each individual loan;
- at an interest rate that is at least 2 percentage points below the market rate that normally would be charged for a loan of that type; and
- with points or origination fees that are limited to 1 percent of the loan principal.

To be eligible the applicant must:

- be a minority and/or a women;
- have at least 51 percent of ownership of the business; and
- control the business.

Three state agencies are involved in the Program. The State Treasurer is authorized to fund the Program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the businesses, monitors the performance of loans, and compiles information on borrowers in the Program. The Department of Community, Trade and Economic Development provides technical assistance, loan packaging services and, in consultation with the OMBWE, must develop performance indicators for the Program.

The Department of Veterans Affairs (DVA) is required to maintain a current list of veteran-owned businesses and provide the list on the DVA's public website. To qualify as a veteran-owned business, the business must be at least 51 percent owned and controlled by a veteran or an active or reserve member of the armed forces.

Summary of Engrossed Bill:

The State Treasurer is authorized to use an additional \$50 million of short-term state treasury surplus funds for the existing Linked Deposit Program for minority or women-owned businesses.

The State Treasurer is authorized to use an additional \$25 million of short-term state treasury surplus funds for a new Linked Deposit Program for veteran-owned businesses. To participate

in the Linked Deposit Program, a veteran-owned business must be certified by the DVA that it meets three requirements:

- (1) the veteran owner has sufficient expertise in the business's field of operation;
- (2) the veteran-owned business is a for-profit organization performing a commercially useful function; and
- (3) the veteran-owned business satisfies the definition for small business concern.

The \$50 million and \$25 million increases for minority or women-owned businesses and veteran-owned businesses, respectively, bring the total amount available for the Linked Deposit Program to \$225 million.

The Department of Veterans Affairs is required to report to the Legislature by December 1, 2008 on the progress made in implementing the Linked Deposit Program for veteran-owned businesses.

Appropriation: None.

Fiscal Note: Requested on February 10, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The linked deposit bill was initiated in 1993. A major study conducted by a professor at the University of Washington suggests revenues for African American businesses grew by 87 percent between 1997 and 2002 versus 12 percent for Washington businesses in general. African American payrolls grew 48 percent versus 19 percent for Washington payrolls in general, for the same period, and the number of African American firms grew 26 percent versus 4 percent for Washington businesses in general. This growth in African American businesses represents revenue increases of \$1 billion. The Linked Deposit Program is a true engine to growing small, certified businesses and the economy. This is a successful program.

(Opposed) None.

Persons Testifying: Cos Roberts, Taber 100.

Persons Signed In To Testify But Not Testifying: None.